
Subject: Price Justification , Was: Computing Speed
Posted by [davidf](#) on Thu, 19 Feb 1998 08:00:00 GMT
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Helge Rebhan (Helge.Rebhan@REMOVE-THIS.gmx.net) writes:

- > You will also save a significant amount of money for your IDL licences !
- > Out of some 'historic' reasons IDL on Unix workstations is 3 to 5 times
- > more expensive than PC or MAC versions ! I never heard any justification
- > for this ??

Here are two justifications (I don't have any idea if these are RSI's):

1. Workstation users have been willing to pay extra for software and PC users simply refuse to even talk to you about it.

2. This is what the competition in the market does.

As a business person trying to make a bit of a living around software I would have to say that given either one of those two justifications that anyone who lowered their prices arbitrarily would probably have be out of their mind.

One possible reason for lowering prices would be to snag some of the people who are using your competitor's product and have so little loyalty that they can be swayed by price. Having tried this strategy myself with IDL in my younger days I would have to say that it doesn't work very well. In general, if you buy PV-Wave or MatLab you are going to stay with PV-Wave or MatLab no matter what the cost of IDL. People who have written one or two good programs with a piece of software are pretty much entrenched by their own success.

Another possible reason for lowering price would be that you would sell more software into a larger market, thus making up (and hopefully exceeding) the revenue you lost from the price lowering. This certainly makes sense when you talk about moving a million units (like almost any PC software manufacturer). It is a much riskier proposition when you are in a much, much smaller niche market like the market for scientific analysis and visualization software, where moving 5000 units would probably be a great year.

If RSI cut IDL's prices in half, would they *really*

sell 10000+ units next year? Somehow I doubt it. I certainly wouldn't risk my company or job on it.

But, on the other hand, if RSI flooded the student market with cheap \$200 software that was fully functional and got all those potential users BEFORE they purchased PV-Wave or MatLab, THEN lowering prices would certainly make a lot of sense. At least to me. :-)

As market share went up, software prices could come down, thereby sealing in customer loyalty and willingness to purchase new software products.

Sounds like a strategy to me. I should act more like a software consultant and SELL this information to RSI. :-)

Cheers,

David

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